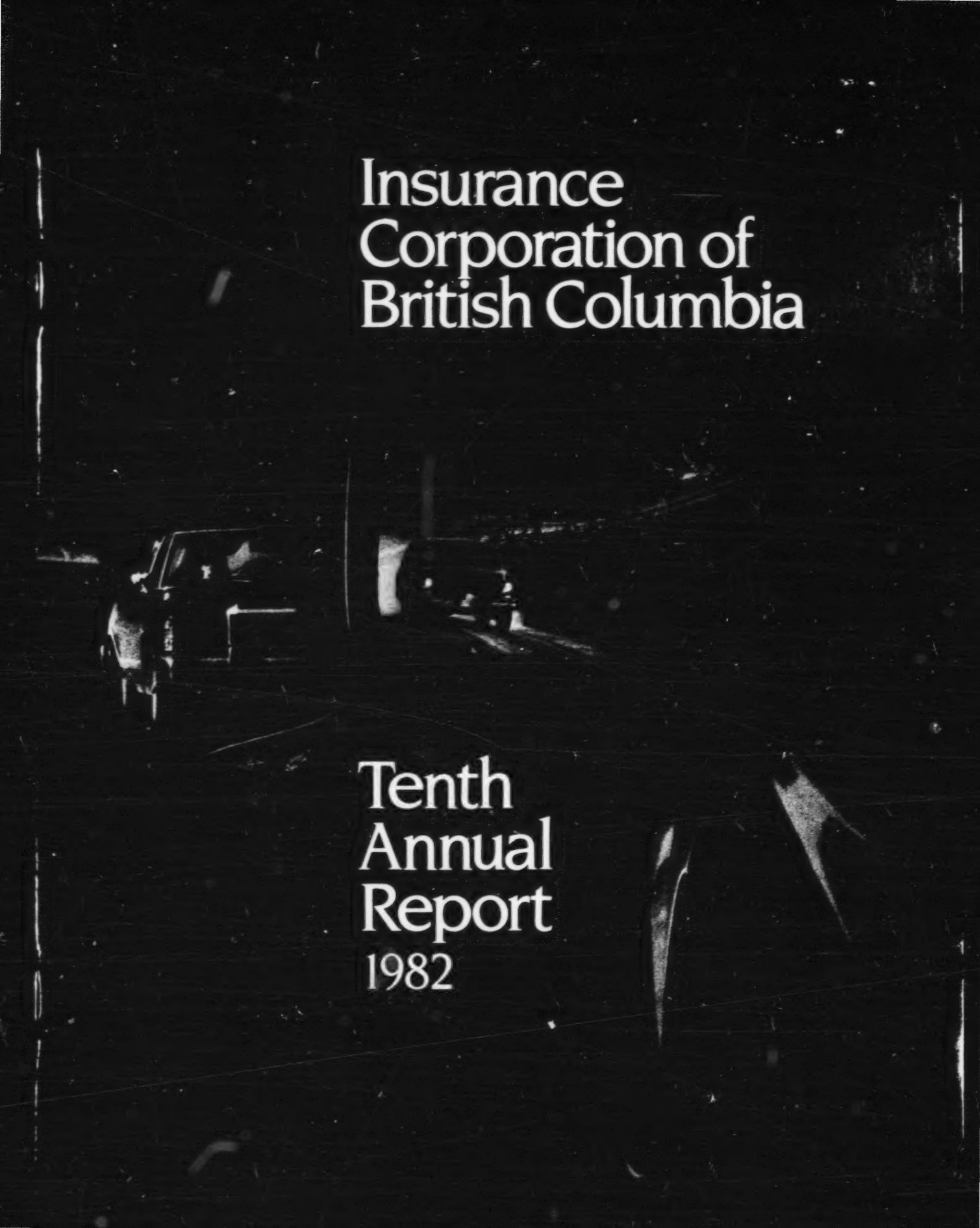
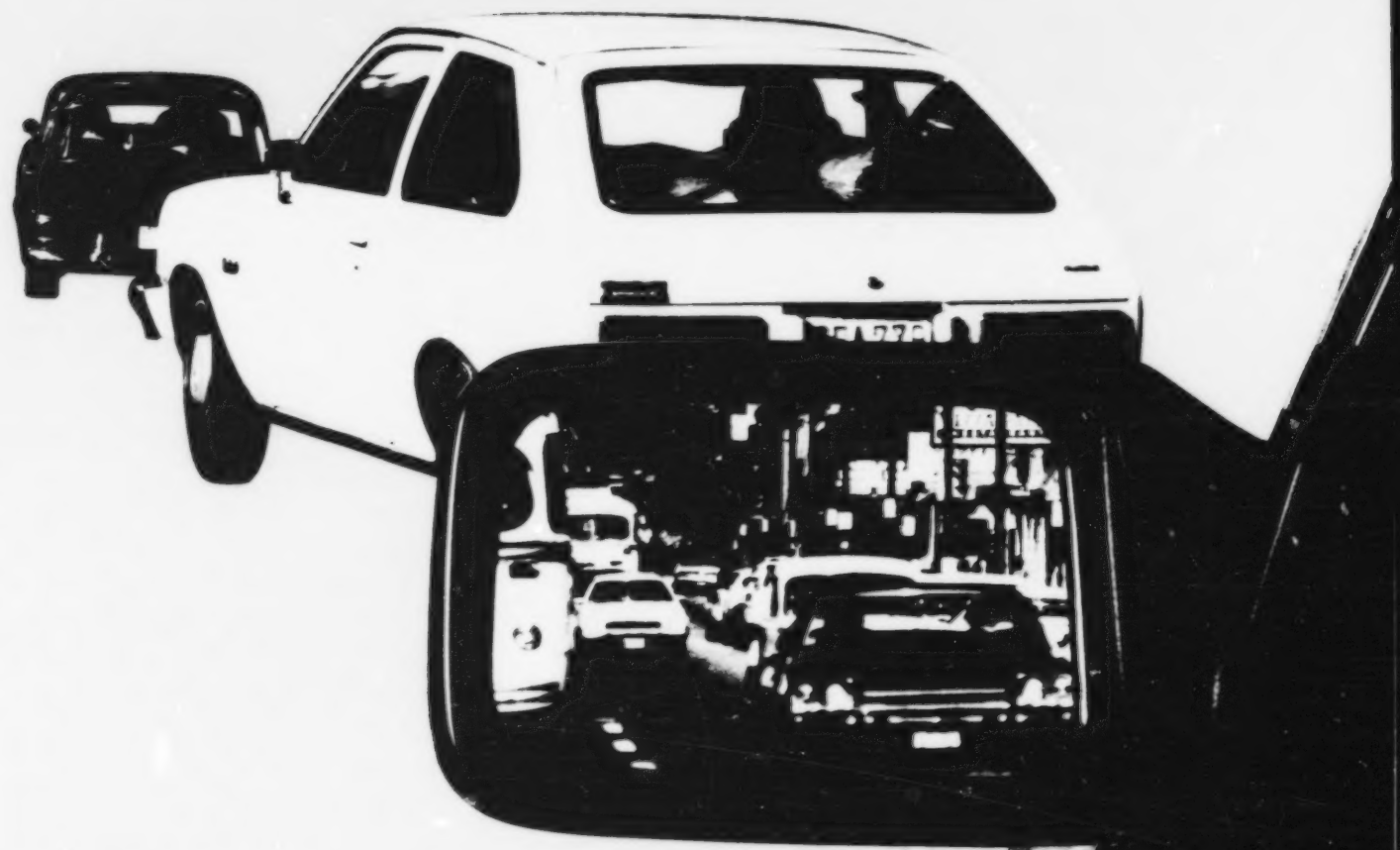
Insurance Corporation of British Columbia



Tenth Annual Report 1982



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Ensuring a Safer B.C.

REPORT OF THE BOARD OF DIRECTORS

1982 was a significant year in the short history of the Corporation. In just its tenth year, the Corporation has become the largest non-life insurance operation in Canada.

The introduction of the Claim-Rated Scale was announced early in the year and is a 'first' in the Canadian insurance market. The plan allows for a new fourth year premium discount of 35% to claim-free drivers and imposes a severe surcharge on those responsible for multiple accidents.

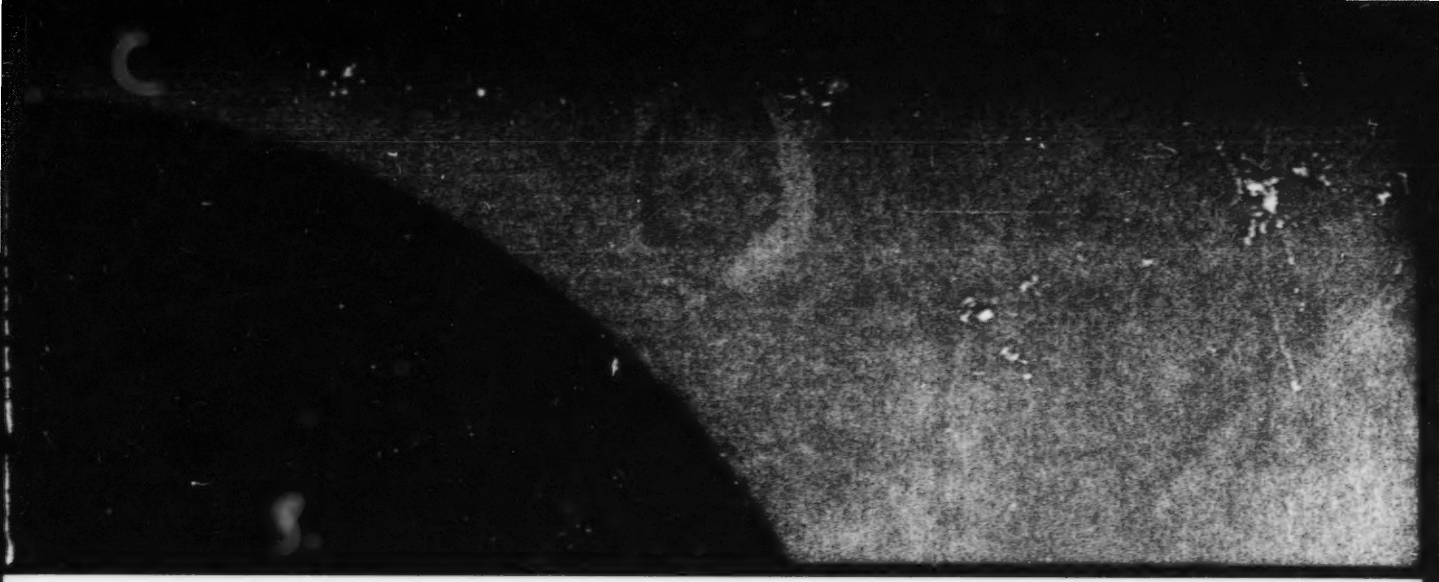
With implementation of Dial-A-Claim Central early in 1982 the Corporation provided motorists in the Lower Mainland and Victoria areas with the most modern and efficient claim reporting system available.

The depressed economic climate did have an effect on the Corporation and the number of policies in force declined by 3% to 1.8 million. This reduction was reflected in the claims volume of 476,000, some 4,000 less than in 1981. Total premiums earned were $657.6 million, an increase of 17% over 1981. Claim costs totalled $609 million, an increase of 10%. A surplus of $3.2 million represented 0.5% of net premiums. Once again the Corporation has been successful in essentially meeting its break-even objective in operating the Automobile Insurance Act fund.

General Insurance reported a minimal profit of $68,000. A significant increase in claim costs was offset by a 12% increase in net premiums earned.

The Corporation's investment portfolio, which is the sum of the funds accumulated to pay claims now outstanding, and to cover refunds of premiums received but unearned, continues to make a major contribution to the total revenue of the Corporation. The investment policy of the Corporation is to invest in British Columbia first, and the balance of the Canadian market second. Although the proportion necessarily varies, the percentage of our securities portfolio in British Columbia investments in 1982 reached 51%. The fund of approximately $775 million contributed $117 million to the Corporation's revenue.

In late 1982, as part of its restraint program, the Provincial Government challenged Crown Corporations, including the Insurance Corporation, to restrict rate increases to 6%. Application of the 6% increase, combined with the impact of the "no claims" discount, means that the majority of B.C. vehicle owners will have lesser increases, many in the 3-4% range. In accepting this challenge, the Corporation plans to achieve essentially a break-even position in 1983.



In 1982 the Corporation continued to improve and streamline its operations with the introduction of two major new systems. The Autoplan Processing Service was implemented with the installation of computer terminals in 50 agent offices throughout the Lower Mainland. These terminals make it possible to record business transactions more quickly and accurately and also to reduce costs. A new Consolidated Accounts Receivable System was initiated in October to enable faster, more accurate billing.

Throughout 1982 the Insurance Corporation, together with government ministries and community organizations in the province, worked with dedication toward the success of programs designed to reduce the number and severity of accidents and to increase traffic safety awareness. The Corporation's Traffic Safety Education Department created innovative projects directed to every segment of the population. These efforts will continue in 1983 in the hope of reducing the number of accidents, injuries and deaths, and eventually driving down the cost of car insurance.

The new Head Office building on Lonsdale Quay is near completion and the move to the new premises is scheduled to take place during the summer of 1983. It will enable the Corporation to consolidate staff in a highly efficient work environment.

The Board of Directors takes this opportunity to express appreciation and to acknowledge the special efforts and dedication of all employees who have worked together conscientiously and efficiently to make 1982 a landmark year of progress in the history of the Insurance Corporation.

JOHN C. GILMER
Chairman of the Board

THOMAS E. HOLMES
President and Chief Executive Officer

On behalf of the Board of Directors,
Insurance Corporation of British Columbia
March, 1983

INNOVATION

Now that the micro-chip has essentially taken over the world, we tend to think of innovation in terms of machines – smart telephones that are able to "think" for themselves, exotic computer hardware which is almost obsolete before it is on the market – so rapid is the rate of change in our world of high technology. Yet, in spite of the fact that we now have computers designing computers, innovation is still very much the product of individual initiative and teamwork. People make it happen! They generate the new ideas; they motivate fellow workers; they seek out new and more efficient ways of doing old jobs; they plan and they implement. In doing all these things they employ some of the most advanced equipment available to business today. But the machines are merely the tools. The people are the innovators.

In today's society, the Insurance Corporation finds itself in a constant battle with rising costs. The costs of parts and labour to repair today's advanced car designs are beyond our control as

CAROL SNADEN / Autoplan Processing Service Representative. Processes business transactions between policyholders and agents to update the Corporation's data base.

Autoplan Processing Service

The effective application of data processing technology is one way the Insurance Corporation keeps its administrative costs well below the industry standard. Autoplan Processing Service (APS) is an example.

By early 1984, every ICBC issuing office will have access to a sophisticated system that allows fast, accurate completion of most Autoplan transactions. Already, many agents are equipped with computer terminals linked to the main ICBC computer, while others are connected by telephone to APS. Coverage, premiums and other information can be confirmed "on the spot", drastically reducing the potential for error.

Agencies with terminals are able to produce computer-verified documents for their clients in minutes.

APS also offers law enforcement agencies up-to-the-minute information on vehicle registration and insurance vital to fraud and theft prevention.

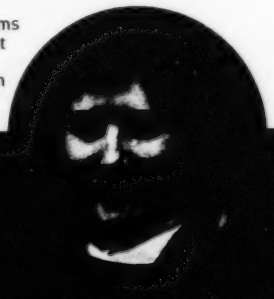
Dial-A-Claim Central

Dial-A-Claim Central is undoubtedly the most visually dramatic of the Corporation's 1982 innovative developments. Within its New Westminster headquarters, dozens of specially trained telephone claim representatives work with some of the most advanced electronic equipment available, to simplify the claim reporting process and provide improved service to B.C. motorists.

Dial-A-Claim Central operates through a sophisticated automatic call distribution system, with 65 trunk lines that enable incoming calls to reach the claim representative direct, without passing through a switchboard operator. The facility also monitors the number of calls recorded, the number on 'hold' and the average time a call has waited – usually less than 15 seconds. Dial-A-Claim Central has the capacity to process 2,000 calls a day, and frequently handles a number close to that maximum.

Linked with the Corporation's mainframe computer, the system enables operators, through computer terminals, to verify coverage and other information instantly. It also enables details of an accident report to be electronically recorded and transmitted to the centre where the claim will be investigated and settled. When the report has been recorded, the claim representative schedules an appointment at a convenient time between the claimant, an adjuster and/or estimator at the Claim Centre.

As a result of the implementation of Dial-A-Claim Central in the Lower Mainland and in Greater Victoria, waiting time at claim centres has virtually been eliminated, clerical work has been reduced, productivity has been increased and claim service is greatly improved.



MAXINE SIMPSON / Telephone Claims Representative. Takes initial accident report. Arranges appointment for insured. Relays accident information to the appropriate claims offices.

ANNE GRAHAM / Bodily Injury Adjuster
Investigates, evaluates and negotiates settlement of bodily injury claims.

Bodily Injury Centres

The B.I. Centres have been operating for one year. In the Lower Mainland there are now five centres; two with five units, two with four units and one with three units. Each unit is staffed on average by one manager, five adjusters and two clerical personnel, plus a central clerical unit.
Customer convenience and prompt, fair claim handling is the first consideration. In many cases an accident report to Dial-A-Claim Central may indicate immediate referral to a B.I. Centre, in which case a report of bodily injury to a person living in Richmond, for example, would be entered in the system and automatically printed at the Richmond B.I. Centre. It indicates the nature and extent of injury. An adjuster from the centre will call and arrange to visit the person at home or at the hospital, or in some cases will arrange a meeting at the centre.
The responsibility of the adjuster is to assess liability and to arrange satisfactory settlement as soon as possible after the accident. The course of action of the Bodily Injury Adjuster is to investigate, evaluate and promptly settle, and above all, to ensure that everybody receives the same fair treatment, the same standard of care.

The Claim-Rated Scale

The Insurance Corporation introduced the Claim-Rated Scale following a period of several years during which the number of accidents in British Columbia and the cost of subsequent claims have reached alarming proportions. Of major concern to the Corporation and to the driving community, are those motorists responsible for multiple numbers of accidents each year.
Based on the bonus and penalty principle which has proven effective in several European countries, the Claim-Rated Scale is considered an equitable system that rewards claim-free vehicle owners and imposes severe surcharges on those responsible for two or more accidents within a year.
The maximum 'no-claim discount' is for four claim-free years and reduces the premium to 65% of the base rate. There is no limit to the surcharge side of the scale. However, as an incentive for improvement, a premium which is still above the base rate after three consecutive claim-free years will be returned to the base rate.
It is expected that this new system will be a factor in bringing about a reduction in the number of accidents and the accompanying human tragedies that are of such great concern to all of us.

MARY EE / Autoplan Clerk
Administers renewals, discounts and surcharges for fleets. Verifies account statements for fleets and claims history for renewal of fleet accounts.

DIANE HINSE / Group Leader / Customer Service
Works with a team handling customer enquiries about accounts, researches and resolves specific problems

Consolidated Accounts Receivable System

A key objective of this innovative program was consolidation. Previously in dealings with the Corporation, a motorist might be contacted in two or three different ways relative to his financial affairs. The Consolidated Accounts Receivable System brings together information from several departments into one file, resulting in one customer statement for all financial billings.

When payments are received they are entered into the computer and the "Payments Transaction Processor" encodes the payment for banking, films it for archival records and sorts and batches it for the bank.

RUSS AFFLECK / Claims Instructor. Designs and evaluates programs of technical training for all levels of Claims Adjuster staff.

Training and Development

No assessment of innovation at the Corporation would be complete without recognition of the important contribution made to many areas of the operation by the Training and Development Department.

More than half of the Corporation's employees took advantage of specialized courses offered in 1982.

The majority of training days were devoted to claims personnel. The subject matter covered specific training in technical and interpersonal skills for adjusters, and customer relations for all claims staff. Also, advanced training for bodily injury adjusters was provided. Topics included negotiations and the litigation process, as well as courses on anatomy and physiology, claims for loss of income and fatal accidents.

A new Management Development program was introduced with the broad aims of increasing organizational effectiveness and improving employee relations.

Two other programs offered by Training and Development are Supervisory Development and Business Skills.

The New Head Office Building

The decision to consolidate Head Office operations presented an opportunity to design a building to serve the specific needs of the Insurance Corporation in the most efficient and economical way possible.

JANET KRGOVICH / Design Assistant. Coordinates the planning and design of special new work areas.

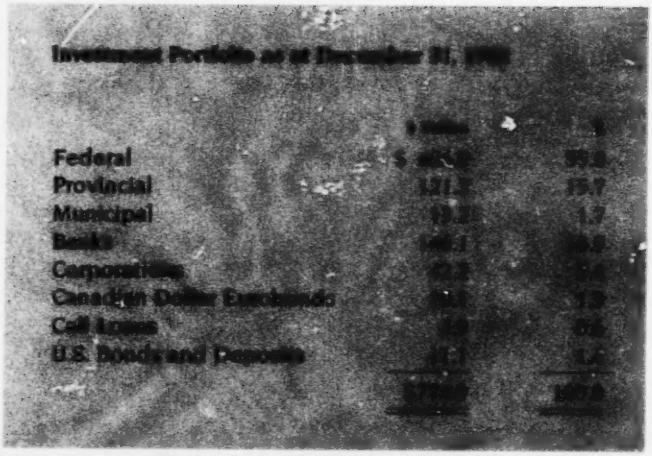
Located on Lonsdale Quay in North Vancouver, the building has nearly 28,000 square metres of office space on six floors. It will bring under one roof about 1200 Head Office employees now working in different buildings and will result in greater efficiency and significant cost savings. It will also house the largest computer installation west of Toronto. It is planned to fulfill to the highest degree, the flexibility and functional demands of the computer age.

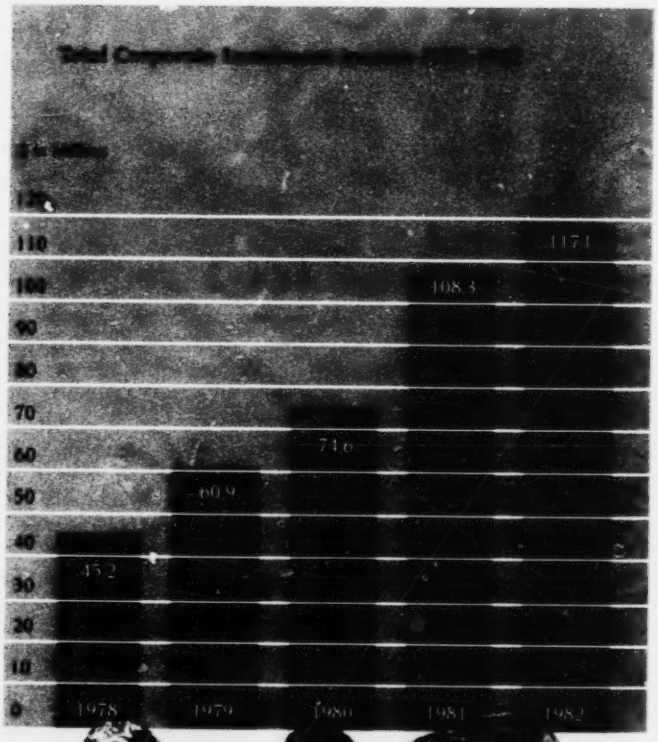
The building is distinctive inside and out. One unique feature is the seismic and wind bracing structure which is on the outside of the building instead of the inside as is usual. This design provides maximum usable interior floor space.
Private offices have been eliminated to accommodate a more open concept that allows for maximum circulation of air and sharing of light.
Throughout the building there are light sensors that will change the intensity of light according to the amount of exterior light. Heating and air conditioning are also monitored and will automatically change from one area to another depending on sunshine, lighting, equipment and numbers of people.

COLLEEN DOOLEY / Provides administrative, clerical support for a province-wide network of traffic safety education programs.

Traffic Safety Education

Programs developed by the Traffic Safety Education Department are designed to involve all British Columbians and attempt to provide long-term solutions to traffic safety issues.
ICBC works in co-operation with many organizations. These include: Ministries of Attorney General, Health, Education, Transportation and Highways, the Motor Vehicle Department, R.C.M.P., Municipal Police Forces, B. C. Medical Association, Unions, Employers, Service Clubs and Municipal Governments.
Traffic safety programs involve schools, the workplace, community projects, health groups and law enforcement agencies.
A Research Section was formed in 1982 to assess all components of the various programs on a continuing basis. In this way, the Department can ensure that its work is effective in helping to reduce the severity and frequency of traffic crashes on our highways.





Investments

At December 31, 1982, the combined investment fund of the Insurance (Motor Vehicle) Act Fund and the General Insurance Department totalled $775 million. The major sources of investment funds are premiums and investment income which are required to fulfill policyholder needs in the future, represented by unpaid claims and unearned premiums.

Provisions for unpaid claims totalled $643 million at December 31, 1982.

Unearned premiums, representing premiums received for periods which extend beyond December 31, 1982, were $239 million.

The Corporation's investment policy continues to be one of investing in Canadian debt instruments. Investments include federal, provincial and municipal government, and business and financial institution securities, with preference given to organizations based in British Columbia.

Although interest rates on short term investments dropped significantly in the latter part of 1982, interest income made a substantial contribution towards total revenue. Investment income contributed 14.6% to total revenue of the Insurance (Motor Vehicle) Act Fund and 16.0% to total revenue of the General Insurance Department – the equivalent of $61 per policy and $43 per policy respectively.

Operations of the Insurance (Motor Vehicle) Act Fund for the year ended December 31, 1982, resulted in income of $3.2 million. Total revenues were $769.6 million, and claim costs and operating expenses totalled $766.4 million. The unappropriated surplus at year end was $8.2 million.

Net vehicle premiums written during the year were $668.0 million. Premiums earned were $632.1 million. The average premium per policy was $361. There was a noticeable change in policyholder buying patterns of insurance coverage and deductible levels. The change came about as the province experienced the full impact of current poor economic conditions. Approximately 3% fewer policies were in force this year compared to 1981 – the first time in the history of the Corporation that there has been a decline. Also, it happened that more policyholders were buying higher deductibles than in the preceding years.

Although interest rates began to decline towards the end of the year, the Corporation succeeded in earning an annual average yield of 14.75% on its investment portfolio. This resulted in the Insurance (Motor Vehicle) Act Fund receiving $112 million in investment income.

Total costs of claims incurred in 1982 were $609 million – an increase of 10%. While the costs of property-related claims levelled off in 1982 due to many recessionary pressures, the costs of injury-related claims continued to rise, partly because of higher court awards and pre-judgment interest. The result was a 10% increase to $1,171, in the average cost of a claim reported in 1982.

Claim operations expenses and administrative expenses totalled $117.0 million in 1982. The expense ratio percentage for 1982 was 14% of premium income – a record we think to be unparalleled by any insurance company in North America.

Agent commissions totalled $40.8 million – a 7% increase over 1981, in spite of the decline in the number of new and renewal policies.

12 Months ended December 31, 1982

AUTOPLAN INCOME

	$ Millions	%
Vehicle premiums earned	632.1	82
Driver premiums earned	25.4	3
Investment income	112.1	15
	769.6	100

AUTOPLAN INCOME USE

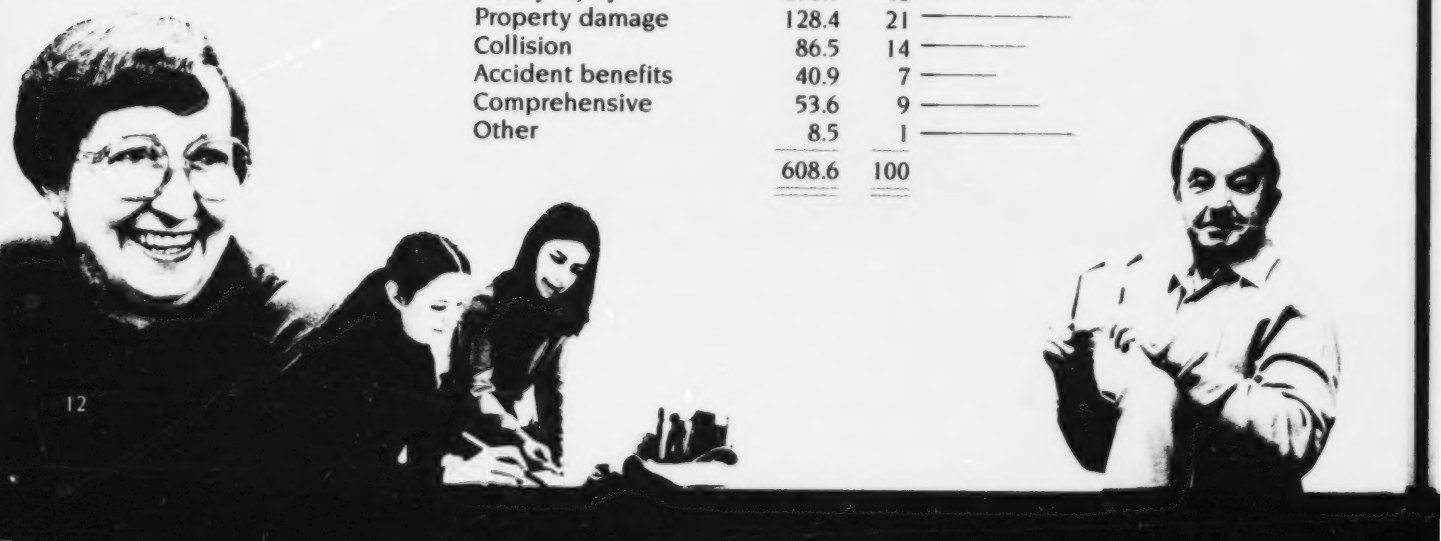
	$ Millions	%
Claims incurred	608.6	79
Claims operations costs	62.0	8
Administrative costs	55.0	7
Commissions	40.8	5
	766.4	99
Income for the year	3.2	1
	769.6	100

VEHICLE PREMIUMS WRITTEN BY CATEGORY

	$ Millions	%
Private passenger	490.7	74
Light commercial	108.0	16
Heavy commercial	48.2	7
Recreational	21.1	3
	668.0	100

AUTOPLAN CLAIMS INCURRED

	$ Millions	%
Bodily injury	290.7	48
Property damage	128.4	21
Collision	86.5	14
Accident benefits	40.9	7
Comprehensive	53.6	9
Other	8.5	1
	608.6	100



UNPAID CLAIMS

The unpaid claims provision at December 31, 1982 includes estimates for claims incurred, but not settled, since the Corporation commenced operation, as follows:

Year	Insurance (Motor Vehicle) Act Fund	General Insurance	Total
		(Thousands of dollars)	
1978 and prior	$ 57,582	$ 1,541	$ 59,123
1979	43,479	772	44,251
1980	105,507	1,937	107,444
1981	159,794	3,532	163,326
1982	257,552	11,152	268,704
Total unpaid claims at December 31, 1982	$623,914	$ 18,934	$642,848

FIVE YEAR COMPARISON

	Twelve months Ending				
	Dec. 1982	Dec. 1981	Dec. 1980	Dec. 1979	Feb. 1979
AUTO INSURANCE					
Vehicle policies	1,821,000	1,873,000	1,805,000	1,671,000	1,622,000
Premium income ($000)	658,000	562,000	419,000	378,000	367,000
Average premium ($)	361	300	232	226	226
Number of claims for policy year	476,000	480,000	477,000	418,000	415,000
Cost of claims incurred ($000)	609,000	553,000	450,000	338,000	313,000
Unpaid claims ($000)	624,000	578,000	450,000	366,000	323,000
Expense ratio %	14	13	17	18	17
Investment income ($000)	112,100	102,600	70,700	58,200	43,500
Income (loss) ($000)	3,200	600	(68,000)	3,800	6,100
GENERAL INSURANCE					
Policies written	117,000	101,000	106,000	95,000	99,000
Net premiums earned ($000)	26,328	23,544	21,800	21,000	21,000
Number of claims recorded	13,000	10,000	10,000	9,000	8,000
Cost of claims incurred ($000)	19,009	16,777	13,000	13,000	10,800
Unpaid claims ($000)	19,000	17,000	13,400	10,800	11,000
Investment income ($000)	5,000	4,402	3,100	2,500	1,800
Income ($000)	68	1,300	1,800	1,400	3,300
CORPORATE					
Average number of employees	2,853	1,510**	2,387	2,363	2,345
Investments at year end ($000)	775,000	701,000	585,000	525,000	617,000
Total assets ($000)	944,000	877,000	667,000	587,000*	759,000

*The change to a calendar fiscal year resulted in a dramatic change in the recording of advance premiums and consequently, a reduction in assets.

**For 5 months of 1981 about 2,200 employees were involved in a labour dispute with the Corporation.

General Insurance — Operations

General Insurance Operations of the Corporation commenced their 10th year on October 1, 1982, with continued strong service to its 117,000 policyholders throughout British Columbia.

General Insurance in 1982 achieved a 12% increase in net earned premiums on a gross written premium volume of $35 million. Unfortunately, increased claim frequency and severity, particularly in the Personal Lines area, produced a marked increase in the cost of net claims incurred.

The British Columbia general insurance market continued to demonstrate an excess of insurance capacity over demand, with the result that competition for business remained intense and many rates were reduced to uneconomic levels. This situation, repeated across Canada, when combined with deteriorating economic conditions and the ongoing pressure of inflation, has produced severe industry underwriting losses for the fourth year in succession.

Rates for most Personal Lines habitational business were increased by 6% on November 1, 1982, and further increases are planned. In view of the current economic climate throughout the industry, substantial rate increases for Commercial Lines are anticipated.

Throughout the past year, the General Insurance Operations have fulfilled their commitment to make insurance available to residents and businesses in every area of the province. By resisting major rate variations and maintaining consistent prices, the Department has become a stabilizing influence on the market. It offers a comprehensive range of insurance products for homes, apartments, mobile homes and pleasure craft and also covers risks for business, industry and institutions.

In its continuing effort to improve service to policyholders, the General Insurance operation expanded the Service Office in Victoria to full branch status during the year, and it now has the ability to serve both the personal and business needs of the residents of Vancouver Island. Also, a Commercial Lines Service Office was opened in Prince George to provide better service to our customers in the North.

A major achievement of the year was the completion of the transfer of all Commercial Lines business to a computerized policy management system. With this sophisticated on-line system, information on coverage and claims is instantly available.

The Corporation has maintained its policy of having a presence only in the general insurance marketplace. Over 92% of general insurance in British Columbia is written by private insurers.

General Insurance — Financial

Net earned premiums of $26.3 million were achieved on gross written premiums of $35 million — an increase of 12% over the previous year.

Claims incurred and claims operation expense for the year totalled $19.9 million — a 15% increase over 1981. This was the result of an increase in the number of claims reported combined with an increase in the average cost per claim.

General Insurance operations recorded net income for the seventh consecutive year. A small underwriting loss was offset by the $5 million investment income leaving net income of $68,000.

An appropriation of $500,000 was made to the Catastrophe Reserve which now totals $6 million. Unappropriated retained earnings at December 31, 1982, were $1.4 million.

Appropriated and unappropriated earnings together are $12.5 million which represents approximately 30% of the planned gross written premiums for 1983. This relationship provides adequate financial security for policyholders.

Net Premiums Earned 1978-1982

$ in Millions

INSURANCE CORPORATION OF BRITISH COLUMBIA

INSURANCE (MOTOR VEHICLE) ACT FUND

STATEMENT OF OPERATIONS

Year Ended December 31, 1982

	1982	1981
	(Thousands of dollars)	
Revenue		
Vehicle premiums written	$668,028	$591,841
Driver premiums written	29,013	20,509
	$697,041	$612,350
Vehicle premiums earned	$632,137	$543,922
Driver premiums earned	25,429	18,414
	657,566	562,336
Investment income	112,091	102,554
Total revenue	769,657	664,890
Claims Costs		
Claims incurred	608,599	552,605
Claims operations expense	62,050	37,395
	670,649	590,000
Expenses		
Administrative (Note 4)	54,997	35,992
Commissions	40,811	38,282
	95,808	74,274
Total claims and expenses	766,457	664,274
Income for the year	3,200	616
Unappropriated surplus – beginning of the year as restated (Note 4)	5,008	4,392
Unappropriated surplus – end of the year	$ 8,208	$ 5,008

INSURANCE CORPORATION OF BRITISH COLUMBIA

STATEMENT OF GENERAL OPERATIONS

Year Ended December 31, 1982

	1982	1981
	(Thousands of dollars)	
Revenue		
Gross premiums written	$35,089	$27,204
Net premiums written	$28,956	$23,036
Net premiums earned	$26,328	$23,544
Net Claims Costs	19,934	17,297
Expenses		
Administrative	5,531	3,814
Commissions	4,970	4,789
Premium taxes	846	725
	11,347	9,328
Total claims and expenses	31,281	26,625
Underwriting loss	4,953	3,081
Investment income	5,021	4,402
Income from General Insurance operations	68	1,321
Loss from other operations	44	44
Income for the year	24	1,277
Unappropriated retained earnings – beginning of year	1,870	1,793
Appropriation for Catastrophe reserve (Note 5)	(500)	(1,200)
Unappropriated retained earnings – end of year	$ 1,394	$ 1,870

BALANCE SHEET As At December 31, 1982

	1982	1981
	(Thousands of dollars)	
Assets		
Cash in hands of agents and banks	$ 1,324	$ 1,344
Investments (Note 6)	774,938	700,603
Finance Plan receivables	36,605	60,753
Other receivables	40,560	44,070
Deferred premium acquisition costs	14,328	12,512
Property and equipment (Note 7)	76,036	55,161

Approved by the Board:

Director:

Director:

$943,791	$874,443

INSURANCE CORPORATION OF BRITISH COLUMBIA

	1982	1981
	(*Thousands of dollars*)	
Liabilities		
Accounts payable and accrued charges	$ 27,730	$ 45,733
Motor Vehicle Department	4,501	7,771
Premiums in advance	9,334	13,271
Unearned premiums (Note 9)	238,676	195,698
Unpaid claims (Note 10)	642,848	594,492
	923,089	856,965
Due to the Insurance (Motor Vehicle) Act Fund representing unappropriated surplus (Note 4)	8,208	5,008
	931,297	861,973
Retained Earnings		
Catastrophe reserve (Note 5)	6,000	5,500
Rate Stabilization reserve (Note 5)	5,100	5,100
Unappropriated retained earnings	1,394	1,870
	12,494	12,470
	$943,791	$874,443

INSURANCE CORPORATION OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1982

	1982	1981
	(Thousands of dollars)	
Resources provided:		
From Insurance (Motor Vehicle) Act Fund Operations (Note 11)	$ 7,911	$ 4,960
From General Operations (Note 11)	99	1,343
Increase in unearned premiums	42,978	49,457
Increase in unpaid claims	48,356	130,821
Decrease in Finance Plan receivables	24,148	–
Increase in fees payable to Motor Vehicle Department	–	3,428
Increase in premiums in advance	–	5,571
Sale of property and equipment	1,330	744
	124,822	196,324
Resources applied:		
Increase in Finance Plan receivables	–	54,009
Purchase of property and equipment	26,992	18,694
Decrease in fees payable to Motor Vehicle Department	3,270	–
Decrease in premiums in advance	3,936	–
Net increase in other assets and liabilities	16,309	10,581
	50,507	83,284
Increase in resources for year	74,315	113,040
Cash and investments – beginning of year	701,947	588,907
Cash and investments – end of year	$776,262	$701,947

NOTES TO FINANCIAL STATEMENTS *December* 31, 1982

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Insurance (Motor Vehicle) Act Fund.

The Insurance (Motor Vehicle) Act Fund is by legislation a separate entity for financial reporting purposes. A statement showing the results of the operation of the Fund is included with the financial statements of the Corporation and the balance of the Fund, which represents its accumulated net operating position, is reflected in the balance sheet of the Corporation. The Fund consists of the revenues and expenses attributable to the Insurance (Motor Vehicle) Act Fund operations. All assets and liabilities are held by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting
As prescribed by Section 21(4) of the Insurance Corporation Act, the financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

Investments
Investments are carried as follows:

Short-term deposit receipts, call loans, and notes	– at cost or amortized cost plus accrued interest.
Bonds	– at amortized cost plus accrued interest.

Investment Income
Income on interest bearing securities is accrued on a daily basis. Capital gains and losses on sales of securities are recognized as they occur. Premiums or discounts on bond purchases are amortized over the term to maturity of the bond.

Deferred Premium Acquisition Costs
Commissions, and General Insurance premium taxes, are expensed over the terms of the insurance contracts to which such costs relate.

Premium Deficiencies
A premium deficiency can exist when anticipated future claims and expenses exceed unearned premiums. Anticipated investment income is expected to exceed any potential premium deficiency in the General Insurance Division.

Depreciation and Amortization
Depreciation is provided on a straight-line basis commencing in the month following that in which assets are placed in service at rates which will amortize the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

Leases
Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The capitalized lease obligations reflect the present value of future rental payments discounted at the interest rate implicit in the lease. The corresponding amount is capitalized as the cost of the assets and depreciated over the assets' estimated economic life (Note 8).

Unearned Premiums
The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each vehicle policy, General Insurance contract, or driver's premium.

Unpaid Claims
Unpaid Claims includes a provision for reported and unpaid claims, based on the claims settlement experience of the Corporation, current trends and a detailed review of claims files. Also included is an estimate for unreported claims.

Prior Year's Figures
Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

3. REINSURANCE

The Corporation follows the policy of underwriting and reinsuring certificates of insurance which, in the main, limit the liability of the Corporation to the maximum amount on any one loss of $200,000 for General Insurance contracts and $750,000 for Autoplan certificates. In addition the Corporation has obtained reinsurance having an upper amount of $40,000,000 which limits the Corporation's liability to $1,962,500 in the event of a series of claims arising out of a single occurrence.

4. PRIOR PERIOD ADJUSTMENT

During the year the cost sharing agreement with the Motor Vehicle Department which was to provide $3,000,000 for 1980 and 1981 activities was cancelled. Of this amount, $1,000,000 was applicable to 1981, and $2,000,000 applicable to 1980. In the 1981 comparative financial statements the $1,000,000 item is added back to Administrative costs, reducing the income for the year, and the $2,000,000 item is charged against unappropriated surplus at December 31, 1980 reducing that amount to $4,392,000.

5. RESERVES

General Operations

The Corporation has appropriated from General Operations retained earnings an additional $500,000 to the Catastrophe Reserve. The appropriation increases this reserve to $6,000,000.

As is the practice in the industry, a Catastrophe Reserve is provided to absorb the possible impact of losses rising from catastrophic occurrences. Catastrophes such as earthquakes, storms, or conflagrations occur at random and the losses arising could be substantial.

The Rate Stabilization Reserve is provided to lessen the potential impact on General Insurance premiums of significant variations in claims loss experience in future years. Amounts may be withdrawn from this reserve in loss years and, conversely, amounts may be added to the reserve in years with a surplus.

6. INVESTMENTS

		Dec. 31, 1982	Dec. 31, 1981
		(Thousands of dollars)	
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)		$214,807	$456,028
Bonds (estimated market value)			
– Dec. 31, 1982	$550,967		
– Dec. 31, 1981	$170,550	560,131	244,575
		$774,938	$700,603

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value at December 31, 1982	Net Book Value at December 31, 1981
		(Thousands of dollars)		
Land	$11,699	$ –	$11,699	$13,826
Land – Lonsdale Quay	2,504	–	2,504	2,502
Building – Lonsdale Quay (Under Construction)	30,100	–	30,100	13,642
Buildings	30,675	10,410	20,265	18,632
Furniture & Equipment	13,171	5,351	7,820	3,765
Computer Under Capital Lease	3,697	739	2,958	1,940
Leasehold Improvements	2,878	2,188	690	854
	$94,724	$18,688	$76,036	$55,161

Depreciation has been charged at the following rates – Buildings 5-10%; Furniture and equipment 10-50%; Computer under capital lease 40%. Leasehold improvements are amortized over the term of the lease plus one renewal period.

Depreciation expense for the year ended December 31, 1982 amounted to $1,786,000 (1981 – $4,410,000).

8. OBLIGATIONS UNDER CAPITAL LEASE

The following is a schedule of future minimum lease payments under capital lease.

Year Ended December 31	(Thousands of dollars)
1983	$1,970
1984	1,970
Total minimum lease payments	3,940
Less: Amounts representing insurance and maintenance	360
Amounts representing interest	515
Present value of the minimum lease payments	$3,065

Interest expensed in the year ended December 31, 1982 amounted to $489,177 (1981 – $315,558).

9. UNEARNED PREMIUMS

	Dec. 31, 1982	Dec. 31, 1981
	(Thousands of dollars)	
Insurance (Motor Vehicle) Act Fund	$225,244	$184,894
General Insurance	13,432	10,804
Total Unearned Premiums	$238,676	$195,698

10. UNPAID CLAIMS

	Dec. 31, 1982	Dec. 31, 1981
	(Thousands of dollars)	
Insurance (Motor Vehicle) Act Fund	$623,914	$577,500
General Insurance	18,934	16,992
Total Unpaid Claims	$642,848	$594,492

11. CASH FLOW FROM OPERATIONS

	Twelve Months Ended	
	Dec. 31, 1982	Dec. 31, 1981 (Restated)
	(Thousands of dollars)	
Insurance (Motor Vehicle) Act Fund		
Income for the year	$ 3,200	$ 616
Non-cash item		
Depreciation and amortization	4,711	4,344
Cash flow from operations	$ 7,911	$ 4,960
General Operations		
Income for the year	$ 24	$ 1,277
Non-cash item		
Depreciation and amortization	75	66
Cash flow from operations	$ 99	$ 1,343

12. LEASE COMMITMENTS

The Corporation is committed to make the following payments during the next five years on property and equipment leased for periods of more than one year:

	(Thousands of dollars)
1983	$12,190
1984	988
1985	594
1986	397
1987	58

13. CAPITAL COMMITMENTS

The Corporation is constructing a new head office building at Lonsdale Quay due for completion in 1983. The total cost of the land and building will be approximately $45 million of which $33 million has been spent up to December 31, 1982. The remaining $12 million will be spent in 1983.

14. PENSION PLAN

Certain employees participate in a contributory pension plan and are entitled to vested interests prior to retirement.

Employees contribute a specified percentage of salaries. The Corporation contributes to the Plan all amounts as actuarially determined, over and above employee contributions, to fund the benefits earned by employees under the Plan.

As of December 31, 1982 the Corporation has fully provided for all past service liabilities of the Pension Plan. Contributions by the Corporation for the year ended December 31, 1982 were $2,902,000 (1981 $1,383,000).

AUDITORS' REPORT

The Honourable James Hewitt
Minister of Consumer and
Corporate Affairs
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1982 and the statements of general operations and changes in financial position of the Corporation and the statement of operations of the Insurance (Motor Vehicle) Act Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1982, and the results of its operations and the changes in its financial position and the results of the operations of the Insurance (Motor Vehicle) Act Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 11, 1983

INSURANCE CORPORATION OF BRITISH COLUMBIA

BOARD OF DIRECTORS

John C. Gilmer (+)
Chairman of the Board
Formerly President and Chief Executive Officer, CP Air

Thomas E. Holmes
President and Chief Executive Officer

The Honourable James J. Hewitt (+)
Minister of Consumer and Corporate Affairs
Province of British Columbia

Jacob Brouwer (Appointed Feb. 1, 1983)
Formerly President
Brouwer and Company
General Insurance Adjusters Ltd.

Isabelle Chisholm (+)
President
Chisholm Industries Limited
Vancouver, B.C.

Walter H. Dyck (*)(**)
Senior Partner
Campbell Sharp, Chartered Accountants
Vancouver, B.C.

Lawrence B. Eberhardt (*)(**)
Vancouver, B.C.
Formerly Chairman, President and Chief Executive Officer
Neon Products Canada Ltd.

Norman H. Manning (*)(**)
Victoria, B.C.
Formerly Chief Executive
Guardian Royal Exchange Group
Insurance Companies

Donald N. Watson (**)
Chairman of the Board
B.C. Resources Investment Corporation
Vancouver, B.C.

MAJOR COMMITTEES OF THE BOARD

(*) *Audit Committee*
(**) *Budget Committee*
(+) *Investment Committee*

PRESIDENT'S COMMITTEE

T. E. Holmes
President and Chief Executive Officer

J. W. Bardua
Vice-President, Administration

M. B. McCarthy
Vice-President, Insurance Operations

D. McLean
Manager, Information Services

B. F. Pearson
Vice-President, Claims

C. B. Penhall
Manager, Public Information

R. H. Power
Vice-President, Finance and Planning

H. G. Reid
Corporate Secretary and General Counsel

CLAIM SERVICE LOCATIONS

Lower Mainland
Burnaby
Chilliwack
Coquitlam
East Vancouver
Kingsway
Langley
Matsqui
North Vancouver
Richmond
South West Marine
Squamish
Surrey
West Broadway

Vancouver Island
Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni
Port Hardy
Victoria

Other areas of B.C.
Cranbrook
Dawson Creek
Fort St. John
Kamloops
Kelowna
Nelson
100 Mile House
Penticton
Powell River
Prince George
Prince Rupert
Quesnel
Revelstoke
Salmon Arm
Smithers
Terrace
Trail
Vernon
Williams Lake

ADMINISTRATIVE OFFICE: 1055 West Georgia Street, Vancouver, B.C. V6E 3R4

AUDITORS: Coopers & Lybrand, Chartered Accountants, Vancouver

BANKER: The Royal Bank of Canada, Vancouver, B.C.